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ABSTRACT

An overview is provided of the general patterns and specific patterns of community college financing, with focus on major funding sources, comparative support and expenditure levels, tuition and fee rates and revenues, other revenue sources, and current state budgetary constraints and fiscal conditions. A summary of the data, trends, and conditions presented indicates: (1) although there has been a general drift toward more reliance on state funds to finance community colleges, there is significant variation across states and from year to year within individual states; (2) severe constraints and fluctuations in major sources of support make it difficult for institutions to initiate necessary changes and plan for the future, with increased dependence on limited and highly variable state revenues further hindering institutional initiative and flexibility; (3) substantial variations from state to state in support levels and expenditure patterns reflect different educational roles and institutional characteristics; (4) community college tuition and fees have increased sharply in many states, renewing debates over the appropriate level of community college charges in comparison to student charges in four-year institutions; (5) federal and other sources of support to community colleges have become increasingly limited in recent years, which in turn limits the ability of community colleges to provide employment training and educational access to lower income individuals; and (6) the financial outlook of community colleges is directly linked to state budgetary conditions and political climates. Subsequent sections provide data and statistical analyses exploring the financial environment of the community colleges. (AYC)

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THE FINANCIAL ENVIRONMENT OF COMMUNITY COLLEGES

Materials developed for a legislative workshop on community college issues

JC 850 297

WICHE
Improving Education in The West
Western Interstate Commission for Higher Education
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THE FINANCIAL ENVIRONMENT OF COMMUNITY COLLEGES

Public community colleges operate within a financial environment shaped by the economic, political, and educational characteristics of each state. Several components of this environment are shared by the WICHE states, although contrasts in state conditions and the resulting differences in funding patterns are often equally instructive. This chapter examines both general patterns and specific characteristics of community college financing in five areas:

- major sources of funding, particularly state and local government appropriations;
- comparative support and expenditure levels;
- tuition and fee rates and revenues;
- other sources of support, particularly federal programs; and
- current state budgetary constraints and fiscal conditions.

Several general observations emerge from the analysis of financial data, trends, and current conditions in each of these areas:

1. Although there has been a general drift towards more reliance on state funds to finance community colleges, there is significant variation across states and from year-to-year within individual states. Severe constraints and fluctuations in major sources of support make it difficult for institutions to initiate necessary changes and plan for the future. Increased dependence on limited and highly-variable state revenues could further hinder institutional initiative and flexibility.

2. Support levels and expenditure patterns in community colleges vary substantially from state to state. The variations reflect different educational roles and institutional characteristics. The cost variations raise the question, however, of how to ensure that community colleges are as cost-effective and as educationally-effective as possible.

3. Community college tuition and fees have increased sharply in many states, often reflecting limitations in other sources of institutional support. This renews debate over the appropriate level of community college charges in comparison to student charges in four-year institutions, and in relation to the public as well as private benefits gained from community college education.

4. Federal and other sources of support to community colleges have become increasingly limited in recent years. This, in turn, limits the ability of community colleges to provide employment training and vocational education, and to expand educational access to lower income families and individuals.

5. The financial outlook for community colleges is directly linked to state budgetary conditions and political climates. In this environment, colleges must document the financial needs and educational effectiveness of their programs in order to build support.

In this chapter, financial data for fiscal years 1978 through 1982 are from the Higher Education General Information Survey (HEGIS), Financial Statistics of Institutions of Higher Education. For the more recent years, basic financial data and characteristics of state funding systems are based on a WICHE survey of community college coordinating or governing agencies distributed in March 1985.

Major Sources of Funding

Public community colleges derive support from numerous sources including state and local government tax revenues, tuition and fee charges to students, other service charges or auxiliary enterprise income, grants and contracts, and federal government support for research and training. Of these, the dominant source of support is public funding from state or local government. Two-year institutions are heavily dependent upon these appropriations because

of the low level of direct research support, relatively low tuition charges, and other limitations in the financial support available to four-year institutions and universities.

Support for community colleges from state and local appropriations varies significantly with respect to both the level and the shares of state and local support. Table III-1 shows state and local appropriations to community colleges per full-time-equivalent (FTE) student for fiscal years 1978, 1980 and 1982. The WICHE states exhibit a number of distinct patterns:

- Five states (Alaska, Hawaii, Nevada, Utah, and Washington) rely almost entirely on state appropriations to community colleges, with little or no support from local government sources.

- Conversely, Arizona and Oregon rely more heavily on local than state appropriations, while Montana, New Mexico, and Wyoming rely on local appropriations for more than one-third of the combined appropriations.

- Between 1978 and 1982, local appropriations increased more rapidly than state appropriations in Arizona, Idaho, Montana, New Mexico, North Dakota, and Oregon. The opposite trend is evident in California, where state appropriations increased by 86.5 percent while local appropriations decreased by 47.7 percent as a direct result of Proposition 13 local tax limitations.

- In 1982, combined state and local appropriations varied from a high of $6,646 per FTE student in Alaska to $1,845 in Nevada. Ten of the 14 WICHE states were above the average $2,086 of government appropriations per FTE student in the non-WICHE states.

- Growth in combined appropriations between 1978 and 1982 was lower for the WICHE states than the non-WICHE states—21.3 percent compared to 33.7 percent.

In those states where community colleges rely on both state and local appropriations, similarly divergent patterns often exist among individual community college districts. For example, data from a recent study of California community colleges indicate that the proportion of state support among community college districts varied from a low of 40 percent to a high of over 80 percent of total revenues in 1981-82. Conversely, local appropriations varied from a low of 13 percent to a high of over 60 percent, reflecting large disparities in local tax capacity and rates. Federal sources of support, generally less than 5 percent of total revenues, exceeded 20 percent

TABLE III-1

STATE AND LOCAL GOVERNMENT APPROPRIATIONS TO PUBLIC COMMUNITY COLLEGES PER FULL-TIME-EQUIVALENT STUDENT

	FY 1978	FY 1980	FY 1982	Percent Change FY 1978 - FY 1982
Alaska				
State	$3,626	$7,480	$6,646	83.3%
Local	0	9	39	--
Combined	3,626	7,489	6,685	84.4
Arizona				
State	528	540	593	12.3
Local	824	1,103	1,314	59.5
Combined	1,352	1,643	1,907	41.1
California				
State	942	1,738	1,757	86.5
Local	1,147	527	603	-47.7
Combined	2,089	2,265	2,360	13.0
Colorado				
State	1,210	1,313	1,730	42.0
Local	185	257	241	30.3
Combined	1,403	1,570	1,971	40.5
Hawaii				
State	1,493	1,818	2,250	50.7
Local	0	0	0	--
Combined	1,493	1,818	2,250	50.7
Idaho				
State	1,727	1,892	2,086	20.8
Local	501	608	851	69.9
Combined	2,228	2,500	2,937	31.8
Montana				
State	1,156	1,515	1,410	22.0
Local	605	949	1,093	80.7
Combined	1,761	2,464	2,503	42.1
Nevada				
State	1,088	1,371	1,845	69.6
Local	0	0	0	--
Combined	1,088	1,371	1,845	69.6
New Mexico				
State	1,241	1,468	1,821	46.7
Local	542	922	1,268	133.9
Combined	1,783	2,390	3,089	73.2

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TABLE III-) (continued)

	FY 1978	FY 1980	FY 1982	Percent Change FY 1978 - FY 1982
North Dakota				
State	1,157	1,626	2,049	77.1
Local	72	101	153	112.5
Combined	1,229	1,727	2,202	79.2
Oregon				
State	1,022	1,173	1,200	17.4
Local	906	1,135	1,464	61.6
Combined	1,928	2,308	2,664	38.2
Utah				
State	1,822	2,151	2,367	29.9
Local	0	0	0	--
Combined	1,822	2,151	2,367	29.9
Washington				
State	1,459	1,743	2,003	37.3
Local	7	14	1	--
Combined	1,466	1,757	2,004	36.7
Wyoming				
State	1,887	2,524	3,260	72.8
Local	973	1,269	1,696	74.3
Combined	2,860	3,793	4,956	73.3
WICHE States				
State	$1,031	$1,657	$1,747	69.4%
Local	908	512	605	-33.4
Combined	1,939	2,169	2,352	21.3
Non-WICHE States				
State	$1,159	$1,391	$1,540	32.9%
Local	401	479	546	36.2
Combined	1,560	1,870	2,086	33.7

Source: Higher Education General Information Survey (HEGIS), Financial Statistics of Institutions of Higher Education, compiled from NCES user tapes for years specified.

in certain districts. Because of these variations in sources of support, the amount of public funding ranged from approximately $1,700 to more than $3,100 per student in different districts.[1]

The same California study also showed that between 1979-80 and 1982-83 the change in revenues among districts varied from a 4 percent decrease to a more than 25 percent increase. Both revenue-generating capacity and allocative practices may increase the disparities in the level of support per student. These disparities, in turn, affect course offerings, program content, quality, faculty salaries, plant upkeep and other characteristics of community college districts. The question of adequate levels of funding for community colleges applies within states and among districts in the same way that it applies among states and between sectors of postsecondary education.

The WICHE states also differ significantly in the proportion of community college support generated from tuition and fee revenues. Table III-2 shows tuition and fee revenues in relation to state and local appropriations and total revenues. The percentage is lowest for California, where formal tuition is not charged community college students and general fees have only been established in recent years. Colorado and North Dakota, in contrast, derive more than 20 percent of community college revenues from student charges.

Tuition and fee revenues for the West as a whole are significantly below the average for other states--7.4 percent of total revenues in WICHE states compared to 22 percent in other states in 1982. All WICHE states except Colorado are below the non-WICHE state average. In recent years, however, tuition and fee revenues have increased more steeply in the West—80.8 percent between 1978 and 1982 compared to 37.7 percent. Tuition and fees are becoming a more important source of revenue in the region.

Since 1982, increases in support for community colleges from state sources, local appropriations, and tuition revenues have been uneven in all WICHE states. As indicated on Table III-3, changes in the level of state support have varied from a 7 percent decrease in one state (North Dakota) to

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[1]Richard H. Simpson, The Neglected Branch: California Community Colleges (Sacramento, CA: Senate Office of Research, 1984).

TABLE III-2

MAJOR REVENUE SOURCES FOR PUBLIC COMMUNITY COLLEGES, FISCAL YEARS 1978-1982

	FY 1978	FY 1980	FY 1982	Percent Change in Revenues per FTE** FY 1978 - FY 1982
Alaska				
Total Revenues (Education & General) per FTE*	$4,807	$10,071	$9,046	88.1%
State and Local Appropriations	75.4%	74.4%	73.9%	84.4
Tuition and Fee Revenues	9.7%	7.6%	7.6%	46.8
Arizona				
Total Revenues (Education & General) per FTE	$1,922	2,474	3,061	59.3
State and Local Appropriations	70.3%	66.4%	63.0%	42.5
Tuition and Fee Revenues	12.3%	12.1%	17.3%	123.6
California				
Total Revenues (Education & General) per FTE	$2,353	2,667	2,816	19.7
State and Local Appropriations	88.1%	85.5%	84.2%	14.4
Tuition and Fee Revenues	1.8%	2.1%	2.9%	93.0
Colorado				
Total Revenues (Education & General) per FTE	$2,358	3,000	3,619	53.5
State and Local Appropriations	58.9%	51.5%	56.9%	48.5
Tuition and Fee Revenues	18.9%	21.9%	23.4%	90.6
Hawaii				
Total Revenues (Education & General) per FTE	$1,840	2,189	2,689	46.1
State and Local Appropriations	81.1%	83.1%	83.7%	50.7
Tuition and Fee Revenues	5.8%	5.1%	5.1%	29.0
Idaho				
Total Revenues (Education & General) per FTE	$3,253	3,768	4,586	41.0
State and Local Appropriations	68.5%	66.3%	64.1%	31.9
Tuition and Fee Revenues	10.9%	12.5%	12.3%	58.8
Montana				
Total Revenues (Education & General) per FTE	$2,663	3,328	3,308	24.2
State and Local Appropriations	66.1%	74.1%	75.7%	42.2
Tuition and Fee Revenues	11.0%	9.8%	10.5%	18.4
Nevada				
Total Revenues (Education & General) per FTE	$1,702	2,257	2,580	51.6
State and Local Appropriations	63.3%	60.8%	60.4%	55.1
Tuition and Fee Revenues	17.6%	14.0%	17.0%	45.7

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TABLE III-2 (continued)

	FY 1978	FY 1980	FY 1982	Percent Change in Revenues per FTE** FY 1978 - FY 1982
New Mexico				
Total Revenues (Education & General) per FTE	$3,212	4,735	5,339	66.2
State and Local Appropriations	55.5%	46.1%	56.8%	70.1
Tuition and Fee Revenues	17.1%	12.3%	10.6%	3.1
North Dakota				
Total Revenues (Education & General) per FTE	$2,230	2,971	3,401	52.5
State and Local Appropriations	55.1%	58.1%	64.7%	79.3
Tuition and Fee Revenues	22.2%	21.5%	21.6%	48.1
Oregon				
Total Revenues (Education & General) per FTE	$2,942	3,541	4,088	39.0
State and Local Appropriations	66.1%	65.2%	65.2%	37.0
Tuition and Fee Revenues	15.5%	15.1%	16.7%	50.3
Utah				
Total Revenues (Education & General) per FTE	$3,021	3,531	3,824	26.6
State and Local Appropriations	60.3%	60.9%	61.9%	29.9
Tuition and Fee Revenues	13.5%	13.9%	16.8%	57.0
Washington				
Total Revenues (Education & General) per FTE	$2,021	2,423	2,822	39.6
State and Local Appropriations	72.5%	72.5%	71.0%	36.7
Tuition and Fee Revenues	12.3%	12.0%	14.7%	67.7
Wyoming				
Total Revenues (Education & General) per FTE	$3,528	4,713	5,957	68.8
State and Local Appropriations	81.1%	80.1%	83.2%	73.3
Tuition and Fee Revenues	9.7%	8.3%	7.6%	33.7
WICHE States				
Total Revenues (Education & General) per FTE	$2,267	$2,777	$3,037	34.0
State and Local Appropriations	82.1%	79.0%	78.1%	27.3
Tuition and Fee Revenues	5.5%	6.0%	7.4%	80.8
Non-WICHE States				
Total Revenues (Education & General) per FTE	$2,398	$2,854	$3,220	34.3
State and Local Appropriations	65.1%	65.5%	64.8	33.7
Tuition and Fee Revenues	21.5%	20.5%	22.6	37.7

Sources: Higher Education General Information, Financial Statistics of Institutions of Higher Education, compiled from NCES tapes for specified years.

* Full-time-equivalent enrollment as defined in HEGIS.

** Percent change in dollar amounts.

Note: Revenues from sources other than state and local appropriations and tuition and fees are not separately identified.

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TABLE III-3
SOURCES OF SUPPORT FOR PUBLIC COMMUNITY COLLEGES
1983-1985 (dollars in millions)

Annual Revenues	1982-83	1983-84	1984-85	Percent Change 1982-83 to 1984-85
Alaska				
State Appropriations	$34.7	$35.5	$39.3	13.2%
Local Appropriations	-	-	-	-
Tuition Revenues	4.6	5.7	6.3	35.3
All Sources*	48.3	50.7	55.7	15.3
Arizona				
State Appropriations	40.0	40.8	48.8	22.0
Local Appropriations	83.5	90.1	116.9	40.0
Tuition Revenues	15.1	19.1	24.3	60.9
All Sources	178.6	180.5	211.9	18.6
California				
State Appropriations	1,108.8	1,097.3	1,145.3	3.3
Local Appropriations	416.5	446.7	464.9	11.6
Tuition Revenues	64.8	80.2	120.5	86.0
All Sources	1,691.2	1,720.4	1,794.4	6.1
Colorado				
State Appropriations	47.5	49.9	52.5	10.5
Local Appropriations	11.1	12.2	12.6	13.5
Tuition Revenues	21.8	23.2	24.9	14.0
All Sources	111.0	117.1	123.5	11.3
Hawaii				
State Appropriations	30.1	32.7	33.4	10.9
Local Appropriations	-	-	-	-
Tuition Revenues	n.a.	n.a.	n.a.	-
All Sources	40.8	44.0	42.4 (est.)	3.8
Idaho				
State Appropriations	7.9	7.8	8.5	7.5
Local Appropriations	3.0	3.3	3.9	27.4
Tuition Revenues	2.0	2.0	2.7	35.3
All Sources	14.3	14.5	17.2	20.6
Montana				
State Appropriations	2.6	3.1	3.3	25.8
Local Appropriations	2.1	2.3	2.7	28.8
Tuition Revenues	0.5	0.5	0.5	13.7
All Sources	5.7	6.8	7.0	12.2

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TABLE III-3 (continued)

Annual Revenues	1982-83	1983-84	1984-85	Percent Change 1982-83 to 1984-85
Nevada				
State Appropriations	12.4	13.1	13.8	11.2
Local Appropriations	-	-	-	-
Tuition Revenues	2.9	4.0	4.3	47.4
All Sources	15.4	17.4	18.4	19.8
New Mexico				
State Appropriations	16.2	17.7	21.4	32.2
Local Appropriations	9.8	11.4	10.8	9.8
Tuition Revenues	4.5	4.8	4.8	8.7
All Sources	38.0	42.1	44.7	17.5
Oregon				
State Appropriations	46.3	49.8	53.3	15.1
Local Appropriations	64.0	71.3	72.9	13.9
Tuition Revenues	30.7	30.5	33.1	7.5
All Sources	148.9	159.9	166.0 (budgeted)	11.5
Utah				
State Appropriations	27.3	28.6	36.3	32.9
Local Appropriations	1.0	1.1	1.2	15.8
Tuition Revenues	8.0	9.3	9.6	19.5
All Sources	36.8	40.5	47.5 (est.)	29.3

Biennial Revenues	1981-83	1983-85	Percent Change
North Dakota			
State Appropriations	30.1	28.0	-7.0
Local Appropriations	2.2	2.7	22.7
Tuition Revenues	9.0	10.9	21.1
All Sources	46.6	48.4	3.9
Washington			
State Appropriations	381.6	447.3	17.2
Local Appropriations	15.9	18.1	13.7
Tuition Revenues	70.2**	80.8**	15.1
All Sources	422.9	492.6	16.5
Wyoming			
State Appropriations	41.8	57.1	36.8
Local Appropriations	Not available		-
Tuition Revenue	Not available		-
All Sources	Not available		-

* The All Sources category includes federal funds and minor sources that are not enumerated.

** Washington tuition revenues are deposited in state general fund and are not a dedicated part of higher education support.

more than a 30 percent increase in other states during the past three years (four years for states on biennial budgets). Local appropriations increased in the range of 10 percent to 40 percent. Tuition revenues increased faster than the other two major sources in six of 12 states, including increases of over 35 percent in five states.

The diverse sources of community college revenues make it difficult to generalize about trends. A distinction must first be made between those states that rely on state funding and those that use a combination of state and local government funds to support public community colleges. In the first group, which includes Alaska, Hawaii, Nevada, North Dakota, Utah, and Washington, only two states had average, or higher than average, increases in total support. Among the states that use a combination of state and local support for community colleges, six out of eight experienced above average increases in community college revenues. This pattern appears to be true for the recent years as well as the 1978 to 1982 period. Revenues from tuition and fees have generally increased as a proportion of total community college support for both groups since the late 1970s. From these observations it appears that, except for the case of California during the post-Proposition 13 period, there is no uniform trend toward an increasing proportion of state support for community colleges among the WICHE states. Local sources have in some instances increased more rapidly than state sources. States in which community colleges are funded through more diverse revenue sources, including tuition and fee revenues, appear to have had more stable funding for community colleges in recent years.

Comparative Support Levels

Differences in support levels and funding patterns indicate the wide range of financial conditions under which community colleges operate. Table III-4 provides a number of comparative measures of financial support for higher education in general and community colleges in particular in the WICHE states. The measures tend to reflect differences in postsecondary environments and missions. For example:

- Total state and local appropriations per capita to all higher education programs varied from $78 to $165 (excluding the unusual case of Alaska, with $367) in 1982.

TABLE III-4
COMPARATIVE PUBLIC FINANCIAL SUPPORT FOR COMMUNITY COLLEGES
IN THE WICHE STATES, FISCAL YEAR 1982

	Total State and Local Government Appropriations Per Capita	State and Local Support to Higher Education Per Capita	Rank Among States*	Expenditures Allocated to Higher Education	Rank Among States*	State and Local Appropriations to Community Colleges: Per Capita	As Percent of Total State and Local Appropriations	As Percent of Appropriations to Higher Education
Alaska	$6,149	$367	1	6.0%	48	$88	1.4%	24.%
Arizona	967	165	2	17.1	1	42	4.4	25.5
California	1,190	151	5	12.7	15	58	4.9	38.4
Colorado	970	101	28	10.4	33	15	1.5	14.74
Hawaii	1,353	163	3	12.1	19	32	2.4	19.6
Idaho	775	99	31	12.7	14	11	1.4	11.1
Montana	1,080	94	34	8.7	36	6	0.5	5.9
Nevada	939	78	41	8.3	38	11	1.1	13.6
New Mexico	1,042	118	13	11.3	25	13	1.3	11.4
North Dakota	941	154	4	16.3	2	22	2.4	14.4
Oregon	1,032	116	18	11.3	26	42	4.1	36.2
Utah	864	117	17	13.5	10	17	2.0	14.7
Washington	940	115	20	12.3	17	41	4.3	35.3
Wyoming	1,615	127	11	7.9	41	68	4.2	53.5
U.S. Average	$1,030	$108	--	10.5	--	$24	2.3%	21.9%

Sources: Marilyn McCoy and D. Kent Halstead, Higher Education Financing in the Fifty States: Interstate Comparisons for Fiscal Year 1982 (Boulder, CO: National Center for Higher Education Management Systems, 1984), State Rankings Table. Complete sources listed in the publication. Community college data based on separate computer runs using the same data sources.

* State ranking among 50 states and the District of Columbia.

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- Ten of the WICHE states were above the national average of $108 in per capita support for higher education, including the top five ranked states in the nation—Alaska, Arizona, Hawaii, North Dakota, and California. These are also states in which community colleges play a prominent role in postsecondary education.

- Per capita state and local appropriations to community colleges varied from $6 to $88 in the WICHE states.

- As a proportion of total appropriations to higher education, community college support varied from 11.1 percent to 53.5 percent. These variations reflect significant differences in the size, functions, and basic support levels of community colleges in the WICHE states.

Table III-5 indicates how support for community colleges changed as a proportion of support for all public higher education institutions between 1979 and 1982. In the nation as a whole, state and local appropriations per student in public four-year colleges and universities increased significantly more rapidly than per-student support in community colleges. In contrast:

- In nine of the WICHE states, per-student appropriations increased more rapidly for community colleges than for all public institutions combined.

- Among the WICHE states, only Arizona, Colorado, Nevada, and Washington provide state and local appropriations to community colleges that are below the per-student national average.

III-6 shows average expenditures per FTE student in community colleges compared to other types of public postsecondary institutions during fiscal year 1982. In comparing expenditure levels it must be noted that different types of institutions provide services that are clearly not comparable. Research support is a major expenditure category at public universities, but not in community colleges. Medical education and specialized scientific and technological programs significantly increase the average expenditures at certain institutions. Bearing in mind these differences in educational missions, the comparisons are notable in several ways:

- The total costs per student are consistently lower in community colleges than in other institutional types, except for the two cases in Colorado and Idaho where average per student community college expenditures are slightly more than expenditures in general baccalaureate institutions.

- Among the WICHE states, instructional support costs in community colleges varied in 1982 from over $4,500 per student in Alaska to less than $1,200 in Nevada. Instructional expenditures were less than the national average of $1,562 in community colleges in six WICHE states.

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TABLE III-5

STATE AND LOCAL APPROPRIATIONS TO COMMUNITY COLLEGES
IN RELATION TO SUPPORT FOR ALL PUBLIC HIGHER EDUCATION INSTITUTIONS
Fiscal Years 1979 and 1982

	FY 1979	FY 1982	Percent Change 1979-1982
Alaska			
Support to Community Colleges Per FTE*	$1,962	$6,685	240.7%
Support to All Public Higher Education Institutions Per FTE	4,230	10,719	153.4
Community College Support as Percent of Total	46.3%	62.4%	
Arizona			
Support to Community Colleges Per FTE	1,636	1,907	16.6
Support to All Public Higher Education Institutions Per FTE	2,448	3,129	27.8
Community College Support as Percent of Total	66.8%	60.9%	
California			
Support to Community Colleges Per FTE	2,128	2,360	10.9
Support to All Public Higher Education Institutions Per FTE	2,923	3,537	21.0
Community College Support as Percent of Total	7..8%	66.7%	
Colorado			
Support to Community Colleges Per FTE	1,482	1,971	33.0
Support to All Public Higher Education Institutions Per FTE	1,976	2,509	27.0
Community College Support as Percent of Total	75.0%	78.6%	
Hawaii			
Support to Community Colleges Per FTE	1,654	2,250	36.0
Support to All Public Higher Education Institutions Per FTE	3,139	4,349	38.5
Community College Support as Percent of Total	52.7%	51.7%	
Idaho			
Support to Community Colleges Per FTE	2,508	2,937	17.0
Support to All Public Higher Education Institutions Per FTE	3,564	3,547	-0.5
Community College Support as Percent of Total	70.4%	82.8%	
Montana			
Support to Community Colleges Per FTE	2,093	2,503	19.6
Support to All Public Higher Education Institutions Per FTE	2,220	2,756	24.1
Community College Support as Percent of Total	94.3%	90.8%	
Nevada			
Support to Community Colleges Per FTE	1,026	1,845	79.8
Support to All Public Higher Education Institutions Per FTE	2,570	2,966	15.4
Community College Support as Percent of Total	39.9%	62.2%	

Table III-5 (cont.)

	FY 1979	FY 1982	Percent Change 1979-1982
New Mexico			
Support to Community Colleges Per FTE	1,702	3,089	81.5
Support to All Public Higher Education Institutions Per FTE	2,570	3,674	43.0
Community College Support as Percent of Total	66.2%	84.1%	
North Dakota			
Support to Community Colleges Per FTE	1,581	2,202	39.3
Support to All Public Higher Education Institutions Per FTE	2,555	3,412	33.5
Community College Support as Percent of Total	61.9%	64.5%	
Oregon			
Support to Community Colleges Per FTE	2,118	2,664	25.8
Support to All Public Higher Education Institutions Per FTE	2,555	3,140	22.9
Community College Support as Percent of Total	82.9%	84.8%	
Utah			
Support to Community Colleges Per FTE	2,140	2,367	10.6
Support to All Public Higher Education Institutions Per FTE	3,034	3,716	22.5
Community College Support as Percent of Total	70.5%	63.7%	
Washington			
Support to Community Colleges Per FTE	1,639	2,004	22.3
Support to All Public Higher Education Institutions Per FTE	2,588	2,880	11.3
Community College Support as Percent of Total	63.3%	69.6%	
Wyoming			
Support to Community Colleges Per FTE	3,314	4,956	49.5
Support to All Public Higher Education Institutions Per FTE	3,835	4,021	4.9
Community College Support as Percent of Total	86.4%	123.3%	
U.S. Average			
Support to Community Colleges Per FTE	$1,847	$2,178	17.9%
Support to All Public Higher Education Institutions Per FTE	$2,694	$3,327	23.5%
Community College Support as Percent of Total	68.6%	65.5%	

Sources: Marilyn McCoy and D. Kent Halstead, Higher Education Financing in the Fifty States: Interstate Comparisons for Fiscal Year 1982 (Boulder, CO: National Center for Higher Education Management Systems, 1984), State Rankings Table. Complete sources listed in publication. Community college data based on separate computer runs using the same data sources.

* Full-time-equivalent enrollment as defined in NEGIS.

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TABLE III-6

EXPENDITURES PER FULL-TIME-EQUIVALENT STUDENT BY STATE AND TYPE OF INSTITUTION
Fiscal Year 1982

	Institutional Type	Instructional Support	Academic Support	Public Service	Total Expenditures
Alaska	Four-Year Comprehensive	$5,[illegible]6	$1,668	$281	$22,701
	General Baccalaureate	9,540	1,473	185	17,528
	Community Colleges	4,541	1,115	64	8,98[illegible]
Arizona	Research University with Medical	3,486	1,087	402	9,482
	University without Medical	2,530	701	219	5,428
	Four-Year Comprehensive	2,338	[illegible]68	289	5,120
	Community Colleges	1,553	206	18	2,886
California	Research University with Medical	5,638	1,827	644	16,064
	University without Medical	3,459	918	327	9,261
	Four-Year Comprehensive	2,676	493	[illegible]7	4,853
	Community Colleges	1,387	235	[illegible]5	2,788
Colorado	Research University with Medical	2,799	481	[illegible]62	8,140
	Four-Year Comprehensive	1,819	480	63	3,877
	General Baccalaureate	1,512	225	76	3,027
	Community Colleges	1,748	251	115	3,448
Hawaii	Research University with Medical	3,665	889	[illegible]65	9,820
	General Baccalaureate	2,293	578	1[illegible]9	4,408
	Community Colleges	1,426	263	94	2,662
Idaho	University without Medical	2,913	800	[illegible]77	7,651
	Four-Year Comprehensive	1,939	330	351	3,664
	Community Colleges	2,096	260	227	4,669
Montana	University without Medical	2,112	441	107	4,335
	General Baccalaureate	1,[illegible]73	477	196	3,977
	Community Colleges	1,465	258	96	3,191
Nevada	University with Medical	2,873	795	1,589	8,858
	Four-Year Comprehensive	1,828	692	141	5,374
	Community Colleges	1,272	283	25	2,616
New Mexico	University with Medical	2,241	526	774	6,557
	Four-Year Comprehensive	2,426	484	284	6,555
	Community Colleges	2,060	354	557	4,939
North Dakota	University with Medical	3,958	698	73	7,548
	Four-Year Comprehensive	1,978	463	923	6,952
	Community Colleges	1,928	227	1[illegible]	3,396
Oregon	Research University without [illegible]al	2,569	643	1,066	8,867
	University without Medical	2,435	582	307	3,048
	Four-Year Comprehensive	2,208	428	70	4,173
	Community Colleges	2,057	304	38	3,758
Utah	Research University with Medical	3,197	656	[illegible],929	9,511
	General Baccalaureate	2,453	546	134	4,754
	Community Colleges	1,896	282	77	3,757
Washington	Research University with Medical	4,609	1,088	457	11,323
	Four-Year Comprehensive	2,178	512	[illegible]00	4,339
	General Baccalaureate	2,433	1,061	142	6,406
	Community Colleges	1,399	217	8	2,680
Wyoming	University without Medical	4,293	1,[illegible]04	672	10,259
	[illegible]unity Colleges	2,801	558	16	5,803
U.S. Total	Research University with Medical	3,807	891	928	10,364
	Research University without Medical	2,826	613	699	8,320
	University with Medical	3,229	751	389	7,149
	University without Medical	2,545	554	226	5,594
	Four-Year Comprehensive	2,235	438	125	4,608
	General Baccalaureate	1,888	380	87	4,260
	Community Colleges	1,562	248	58	3,069

Sources: National Center for Education Statistics, Higher Education General Information Survey, Financial Statistics of Institutions of Higher Education for Fiscal Year 1982. Washington, D.C.:NCES, 1984 (Magnetic Tape).

See definitions on following page.

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Definitions for Table III-6

Instructional support includes expenditures in the following areas: general academic, occupational and vocational, special session, community education, adult basic, remedial and tutorial (credit and noncredit) instruction. Academic support includes expenditures for libraries, museums, galleries, audio-visual and computing services, academic administration, and curricular and personnel development that are an integral part of the institution's primary missions of instruction, research, or public service. Public service includes expenditures budgeted separately for noninstructional services provided to groups external to the institution. Total expenditures (education and general) include all current fund expenditures for the above categories, plus separately budgeted research, operation and maintenance of facilities, student services, institutional support activities, and scholarships and fellowships, but exclude expenditures relating to auxiliary enterprises and independent operations. Full-time equivalent students calculated as sum of full-time enrollments plus full-time equivalent of part-time students from applicable HEGIS Fall Enrollment Survey. For definitions of the institutional types and a listing of the institutions included see Marilyn McCoy and D. Kent Halstead, Higher Education Financing in the Fifty States: Interstate Comparisons, Fiscal Year 1982 (Boulder, CO: National Center for Higher Education Management Systems, 1984). The community college category combines the public two-year academic and comprehensive and the public two-year occupational types. Some institutional categories have been omitted from the table.

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- Separately budgeted public service expenditures are low in community colleges, and in many states are insignificant compared to expenditures in other sectors.

Community colleges are generally the low-cost segment among public institutions. This raises the question of whether they are adequately supported and the related question of how educational content, quality, and outcomes differ in relation to costs.

Tuition and Fee Charges

The direct costs to students in community colleges in the West vary widely. Table III-7 shows average full-time community college tuition rates in the WICHE states for selected years. Several measures indicate that tuition rates have increased rapidly in recent years:

- Between 1979-80 and 1983-84 the number of WICHE states where community college tuition rates exceeded the national average increased from three to six.

- The rate of increase in tuition between 1979-80 and 1983-84 exceeded the national average of 48.1 percent in eight WICHE states, including California, where tuition was instituted in 1983-84.

- More recently these increases appear to have slowed. The increase in 1984-85 exceeded the national average of 6.7 percent in only four WICHE states, including the still relatively low-cost states of California and Hawaii.

These figures and trends indicate the diversity of tuition and fee rates and tuition policies in the western states. Only a minority of WICHE states are comparatively low-tuition public institution states. Community college charges in the majority of the WICHE states are average or above average and increasingly reflect a philosophy of cost-sharing between public support and student charges.

Funding Allocation Systems

Different mechanisms and processes are used to determine the level of support provided to community colleges and to allocate resources among institutions. Three general methods are used in the WICHE states. These

TABLE III-7

TUITION AND FEES IN PUBLIC COMMUNITY COLLEGES*

	1979-80	1983-84	1984-85	Percent Change 1979-80 to 1983-84	Percent Change 1983-84 to 1984-85
Alaska	$355	$600	$600	69.0%	0.0%
Arizona	134	384	393	186.6	2.3
California	0	30	100	--	--
Colorado	400	658	681	64.5	3.5
Hawaii	90	172	243	91.1	41.3
Idaho	397	605	682	56.3	12.7
Montana	303	405	408	33.7	0.7
Nevada	390	619	619	58.7	0.0
New Mexico	303	291	293	-4.0	0.7
North Dakota	581	858	896	47.7	4.4
Oregon	418	591	600	41.4	1.6
Utah	490	697	740	42.2	6.2
Washington	308	575	577	86.7	0.5
Wyoming	300	365	409	21.7	12.2
U.S. Average (48 States)	$403	$597	$637	48.1%	6.7%

* State averages for full-time, state (and district) residents.

Sources: Geoffrey Dolman, Jr., Tuition and Fees in Public Higher Education in the West, 1984-85 (Boulder, Co., Western Interstate Commission for Higher Education, 1985). Data for California and U.S. Average from Washington State Council for Post-secondary Education, Tuition and Fee Rates - A National Comparison (Olympia, WA: October, 1984), Table IX.

methods are related to whether community colleges are dependent upon state funding or rely on a combination of state and local funding, as illustrated by Figure III-1.

Hawaii, Idaho, Utah and Wyoming use an incremental approach to both budgeting and resource allocation that builds from the current institutional budget or resource base. Incremental adjustments--normally increases--are made to the current base in order to offset inflation or cost increases and to provide support for program expansion or initiatives. The Utah budget review process, for example, takes into account inflation and enrollment changes, as well as specific allocations addressing needs such as upkeep of new physical facilities, salary equity, and program improvements. Of the states using this approach, Hawaii and Utah use only state funds to support community colleges, while Idaho relies on approximately 40 percent local funding.

FIGURE III-1

Methods for Determining Support Levels and Allocating State Funds to Community Colleges

Type	Degree of State Funding	
	Primarily State Funded	State and Local Funded
Incremental Budgeting	Hawaii Utah	Idaho Wyoming
Formula Budgeting Based Primarily on Enrollment	Alaska Colorado* (State Controlled) North Dakota Washington	Colorado* (Local Controlled) Oregon Montana
Multi-component Formulas	Nevada	Arizona California New Mexico

* Colorado has 11 state community colleges and six local district colleges.

Six WICHE states use some form of a primarily enrollment-based formula to determine support for community colleges. In four of the states using this approach, funding is provided mainly by the state. Through the mechanism of the formula, funding levels are linked to institutional enrollments and are adjusted each year to reflect estimated enrollments for the current year or actual enrollments for a previous year or years.

States use a variety of means to define the enrollments and other components included in the formulas. In Colorado the funding rate is based on the number of Colorado resident students. For the state-controlled community colleges in Colorado additional adjustments to the allocations are made by a committee of community college business officers. In Montana, projected enrollments are multiplied by a unit cost factor to determine an institution's unrestricted budget. The state then funds 53 percent of community college unrestricted budgets, with the remainder derived from mandatory local contributions and tuition revenues. North Dakota uses enrollments and other components related to enrollments including faculty/student ratios and faculty-use ratios. In Washington, legislative appropriations reflect more of a negotiated budget approach while complex formulas are used for the inter-institutional allocation of these appropriations.

Multi-component formulas typically incorporate a number of independent factors or attempt to take into account differences in actual program costs and institutional resources in addition to enrollment levels. The Nevada formula specifies faculty/student ratios, inflation adjustments, salary increases, administrative positions, and other cost-related factors as well as enrollments. New Mexico uses a differential funding formula based on funding rates related to the costs of discipline clusters. State support is provided as a percentage of instructional expenditures, plant maintenance costs, and other factors.

California has used eight funding formulas for community colleges since the mid 1970s. Numerous adjustments have been made since Proposition 13 shifted the major funding responsibility from local to state sources. The current system has elements of a cost or resource formula, even though it is based on an enrollment measure of average daily attendance and builds from the

base-year expenditures. Increments are added to base-year resources to cover such cost factors as inflation and partial adjustments for enrollment changes. A portion of the incremental resources are also allocated for inter-district equalization in order to address, at least partially, disparities in local tax support. Additional modifications in the California system are being considered.

The effects of these different budgetary and allocative mechanisms on the level of support provided to community colleges are not clear, in part because the effects change in relation to other factors. A number of issues are raised, however, by the interrelationships between these procedures and the trends in community college support in different states. Does, for example, the incremental budgeting approach leave community colleges particularly subject to the year-to-year variations in overall state fiscal conditions? What effects do these have on institutional stability and program quality? Do enrollment-based formulas make institutions financially vulnerable to unexpected and often temporary or cyclical enrollment shifts? Are enrollment cycles or patterns consistent with funding changes, or out of phase? Do multi-component formulas accurately reflect actual costs and needs? Such questions reflect potential weaknesses in the current systems for financing community colleges. Many of these questions cannot be readily answered at the state or regional level, but must be examined in light of individual institutional conditions and resources.

Federal Sources of Support

Federal support plays a more limited role in community colleges than in public universities and four-year institutions. Nationally, in 1982 grants and contracts (primarily from the federal government) provided nearly 20 percent of total revenues at research universities, but less than seven percent at community colleges. Federal support to postsecondary education is focused on meeting specific needs. For community colleges the major purposes served by federal support are expanding access to individuals through student financial aid and providing certain types of job-training and vocational

education. Federal support in both areas is divided among many agencies and institutions. Relatively small proportions are available for community college programs and students.

Table III-8 shows the distribution of Pell Grants, the largest federal student grant program, to community college students in the WICHE states since the late 1970s. Funding for this and other federal student aid programs increased rapidly during the late 1970s, then was at stable or reduced levels for several years until appropriations were increased for 1983-84. Changes in the distribution of Pell Grants have occurred as a result of both funding levels and non-program factors, such as enrollment shifts and changing student characteristics. Significant distributive shifts have affected the proportion of Pell Grants received by community college students in many WICHE states, as is evident in the table:

- In the nation as a whole the increase in Pell Grants received by community college students was 50.2 percent since 1977-78, compared to 85.2 percent for students in all sectors.

- In the WICHE states this disparity in growth rates is even larger--a 14.6 percent increase in community college Pell Grants compared to 76.2 percent overall growth.

- In eight WICHE states the proportion of Pell Grants received by community college students decreased significantly since 1977-78. In California, Pell Grants to community college students dropped from 43.2 percent to 22.9 percent of the total, reflecting more than a 16 percent decrease in the dollars available during this period.

- Primarily as a result of this relative decline in community college grant recipients, the share of total Pell Grant funding to students in the WICHE states fell from 15.5 percent to 14.8 percent of the total. This occurred despite the fact that postsecondary enrollments in the West have grown rapidly and comprise nearly 25 percent of total national enrollments.

Such major shifts in resources both reflect and help to shape individual enrollment decisions and overall enrollment patterns.

Community college students are also at a considerable disadvantage in securing other types of student financial aid. At the national level, community colleges receive and distribute approximately 10 percent of the federal support provided through the three campus-based aid programs, far less

TABLE III-8

PELL GRANT DISBURSEMENTS TO COMMUNITY COLLEGE STUDENTS
IN WICHE STATES, 1977-1978 TO 1983-84
(Dollars in thousands)

	1977-78	1980-81	1983-84	Percent Change 1977-78 to 1983-84
Alaska				
Total Pell Grants	575.1	1,308.1	1,243.4	116.2
To Community College Students				
Amount	0	362.9	361.6	—
Percent	0	27.9%	29.1%	
Arizona				
Total Pell Grants	18,239.0	27,152.9	38,009.5	108.4
To Community College Students				
Amount	6,919.6	7,945.3	10,821.5	56.4
Percent	37.9%	29.3%	28.5%	
California				
Total Pell Grants	123,939.4	160,623.6	195,373.3	57.6
To Community College Students				
Amount	53,548.5	51,374.0	44,802.3	-16.3
Percent	43.2%	32.0%	22.9%	
Colorado				
Total Pell Grants	16,054.5	25,740.0	28,747.2	79.1
To Community College Students				
Amount	3,424.1	5,192.6	5,363.0	56.6
Percent	21.3%	20.2%	18.7%	
Hawaii				
Total Pell Grants	3,023.9	4,140.1	4,689.8	55.1
To Community College Students				
Amount	1,316.0	768.7	868.0	-34.0
Percent	43.5%	18.6%	18.5%	
Idaho				
Total Pell Grants	3,769.2	6,565.4	8,334.5	121.1
To Community College Students				
Amount	627.4	1,063.2	1,460.6	132.8
Percent	16.6%	16.2%	17.5%	
Montana				
Total Pell Grants	4,681.4	8,127.6	10,315.7	120.4
To Community College Students				
Amount	545.3	933.8	1,375.1	152.2
Percent	11.7%	11.5%	13.3%	
Nevada				
Total Pell Grants	1,996.1	3,022.7	4,081.8	104.5
To Community College Students				
Amount	445.9	562.4	806.8	80.9
Percent	22.3%	18.6%	19.8%	

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TABLE III-8

PELL GRANT DISBURSEMENTS (cont.)

	1977-78	1980-81	1983-84	Percent Change 1977-78 to 1983-84
New Mexico				
Total Pell Grants	11,942.6	15,900.7	15,097.5	26.4%
To Community College Students				
Amount	1,255.1	1,901.4	2,024.3	61.3
Percent	10.5%	12.0%	13.4%	
North Dakota				
Total Pell Grants	5,385.0	9,318.6	[illegible]	144.5
To Community College Students				
Amount	1,377.0	1,771.4	2,520.7	83.1
Percent	25.6%	19.0%	19.2%	
Oregon				
Total Pell Grants	16,247.5	26,128.6	34,093.7	109.8
To Community College Students				
Amount	6,587.7	8,738.1	10,641.2	61.5
Percent	40.1%	33.4%	31.2%	
Utah				
Total Pell Grants	5,755.3	9,865.4	14,106.2	145.1
To Community College Students				
Amount	1,329.4	2,112.1	3,577.1	169.1
Percent	23.1%	21.4%	25.4%	
Washington				
Total Pell Grants	19,058.2	30,486.9	38,489.7	58.3
To Community College Students				
Amount	7,825.3	10,451.9	12,384.9	63.4
Percent	41.1%	34.3%	32.2%	
Wyoming				
Total Pell Grants	1,582.4	2,492.3	3,349.6	111.7
To Community College Students				
Amount	626.3	899.3	1,363.6	117.7
Percent	39.6%	36.1%	40.7%	
U.S. Total				
Total Pell Grants	1,497,238.2	2,358,883.0	2,772,421.7	85.2
To Community College Students				
Amount	340,605.0	437,796.1	511,632.8	50.2
Percent	22.7%	18.6%	18.5%	
WICHE States				
Total Pell Grants	232,249.6	330,866.6	409,296.1	76.2
Percent U.S. Total	15.5	14.0	14.8	
To Community College Students:				
Amount	85,827.6	94,077.1	98,370.7	14.6
Percent	37.0%	28.4%	24.0%	

Source: Compiled from unpublished Pell grant Disbursement Reports provided by the U.S. Department of Education. Regular Disbursement System (RDS) only; Alternate Disbursement System (ADS) totals are not included.

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than their proportion of enrollments.[2] Federally guaranteed student loans are frequently more difficult for community college students to secure because of reluctance on the part of both lending institutions and students. As a result of these and other factors, community college students tend to make less use of financial aid programs than students in other sectors.

The Job Training Partnership Act (JTPA) of 1982 succeeded the Comprehensive Employment and Training Act (CETA) as the major federal program providing job-related training and education for disadvantaged individuals. The focus of this support on specific employment skills and opportunities for particular categories of individuals (e.g., high school dropouts, low-income groups, dislocated workers, youth) clearly separates these programs from support for general education programs. In most states, however, a portion of education and training services is done under contract by community colleges. Under CETA, the U.S. Department of Labor played a leading role in programs coordinated at the state level. Under the provisions of the JTPA, more agencies and actors share responsibilities for both the design of programs and the provision of services.

What roles community colleges will play in the Private Industry Councils, state coordination, and training services under the JTPA is still unclear. A recent U.S. General Accounting Office report on the first year of the new program found that community colleges nationally provided 11 percent of the contractual education and training services.[3] Private nonprofit and for-profit organizations and local government agencies provided significantly higher proportions.

Several WICHE states have reported using federal JTPA funds to support employment related training programs in community colleges. The funds are very limited, however, both in amount and in the uses to which they may be applied. The outlook for increased or even stable federal appropriations for this program is uncertain, making it difficult for institutions to plan

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[2]The Washington Office of the College Board, Trends in Student Aid: 1980 to 1984 (New York: The College Board, 1984), Table 8.

[3]U.S. General Accounting Office, Job Training Partnership ActL Initial Implementation of Program for Disadvantaged Youth and Adults (Washington D.C., March 1985).

programs that qualify for funding. The programs must also be targeted at specific individuals and groups who need employment training. Not all of these groups and types of training fall within the normal clientele and program areas of postsecondary education. The combination of uncertain federal funding, unresolved federal guidelines and regulations, and the limited roles for postsecondary education mean that federal JTPA support for job training in community colleges will likely continue to be very limited.

The Financial Outlook for Community Colleges

The outlook for financing community colleges in the coming years is inextricably linked to economic conditions and political actions at the state level. This is obvious in the sense that overall state revenue and budgetary conditions directly affect the state resources provided to community colleges. Slower or cyclical economic growth and increasing demands on state funding to support a variety of agencies, programs, and social needs mean that community colleges face stiff competition for financial support. Perhaps less obvious is the fact that states have played increasingly important roles in community college financing because of a variety of other developments that have both economic and political origins.

States have always both sanctioned and restricted local government taxing authority. Since the late 1970s, however, several western states have adopted legislation or constitutional amendments substantially restructuring local taxing capabilities. In those states where community colleges are partially funded from local tax revenues, these measures have often affected the financial support available and increased the need for support from the state level. At the same time, however, nearly all states have faced a period in which state revenues were severely restricted and political sentiment strongly favored lower, rather than higher, tax rates. In many cases the political climate favored not just limits on local taxation, but more restraint in overall public spending. Economic conditions also played a restraining role when unexpectedly slow business activity and continuing high unemployment created budgetary shortfalls.

Community colleges in the WICHE states have been subject to a variety of these conditions in recent years. Proposition 13 in California and related measures in several other states forced a reexamination and restructuring of community college financing. The issues involve not only the division of public support among state and local sources, but the proportion of costs borne by students through tuition and fees and the very nature and roles of community college education. In Idaho and more recently in Washington, unexpected state revenue shortfalls led to the imposition of budget cuts and spending restrictions for postsecondary institutions. In Alaska, community colleges and other higher education institutions have also forced unexpected budgetary constraints because of slower growth in state petroleum tax revenues.

Changes in the economic and political environment can also create substantial opportunities for enhancing support for community colleges and higher education in general. For example, the various tax restructuring and sales tax proposals considered in Oregon contain a variety of measures to increase public funding for higher education in the state. Community colleges must be able to compete effectively for public support and resources during periods of budgetary restrictions or tax reform.

To accomplish this, extra efforts must be made to ensure that the educational roles of community colleges are well understood, that educational programs are aimed at meeting the most pressing needs of the localities and the state, and that institutions are functioning as efficiently and effectively as possible. Through these and related efforts, community college leaders and supporters can help to shape the financial environment in which these institutions operate.

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